

AFFORDABLE HOUSING 101



what is *affordable* housing?

- **Naturally occurring (unsubsidized)**

Mobile home parks; Housing in lower cost areas;
Older apartments that haven't been upgraded

- **Intentional (subsidized)**

Policies/programs to serve households spending no more than 30% of income on housing

MATT KENYON



Without Covenants

Image credit: Financial Times



With Covenants

Image credit: Atlanta Land Trust

what are the impacts of *affordable* housing
on households & communities?



SOME IMPACTS

- Addition of safe, decent and sustainable homes
- Community diversity (residents, housing types)
- Reduced involuntary displacement
- Housing for a local workforce

MORE IMPACTS

- Multi-generational families living nearby
- Shorter commutes (fuel/childcare savings, better air)
- Opportunity to accumulate wealth/savings, reducing pattern of intergenerational poverty
- NIMBYism

affordable/ attainable to whom?

It depends... it's about a household's housing costs compared to income

HOUSING COSTS

Renters	Owners
rent + utilities	mortgage payment + utilities + property taxes + homeowners insurance + HOA dues + private mortgage insurance

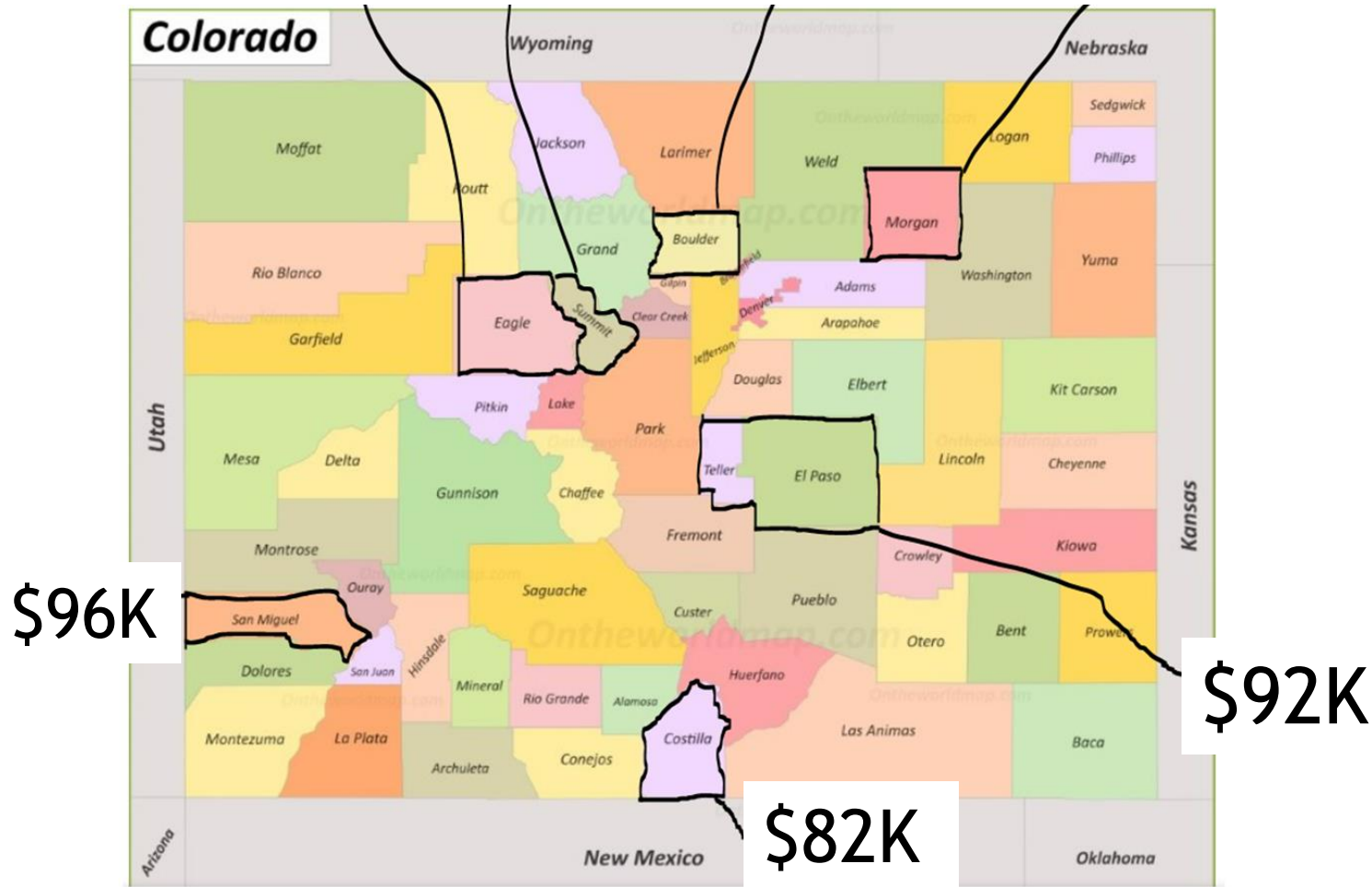
Depends on...

- ❖ Housing type
- ❖ Household size
- ❖ Funding subsidies
- ❖ Area Median Income

Represents the income of the median or “middle” household in a given region

Area Median Income or AMI

\$112K \$100K \$125K \$82K



This map shows 2022 median income (100% AMI) for a 4-person household (annual)

Source: HUD USER

HUD USER FY 2022 Income Limits Summary

Denver-Aurora-Lakewood CO MSA

FY 2022 Income Limit Area	Median Family Income Click for More Detail	FY 2022 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Denver- Aurora- Lakewood, CO MSA	\$117,800	Very Low (50%) Income Limits (\$) Click for More Detail	41,050	46,900	52,750	58,600	63,300	68,000	72,700	77,400
		Extremely Low Income Limits (\$)* Click for More Detail	24,650	28,150	31,650	35,150	38,000	40,800	43,600	46,630
		Low (80%) Income Limits (\$) Click for More Detail	62,600	71,550	80,500	89,400	96,600	103,750	110,900	118,050

NOTE: Denver County is part of the **Denver-Aurora-Lakewood, CO MSA**, so all information presented here applies to all of the **Denver-Aurora-Lakewood, CO MSA**.

The **Denver-Aurora-Lakewood, CO MSA** contains the following areas: Adams County, CO; Arapahoe County, CO; Broomfield County, CO; Clear Creek County, CO; Denver County, CO; Douglas County, CO; Elbert County, CO; Gilpin County, CO; Jefferson County, CO; and Park County, CO.

The Housing Bridge / Housing Continuum



Image Source - Gender, Housing and Homelessness: A Literature Review (2020)

- ✓ Zoning regulations
- ✓ Expedite entitlement process
 - ✓ Funding (loan/grants)
 - ✓ Extend period of affordability
- ✓ Enforce safe & sustainable building codes
- ✓ Fee waivers

Role of Local Governments



AS COMPARED TO MARKET RATE HOUSING

- More Funding Sources & Regulations
- Higher Operating Expenses (i.e., add'l staff for required reporting, services provided)
- Covenants/Deed Restrictions

Subsidized Housing

LIHTC (private investment)

State Funding

Local Grants

Federal funding (HOME, CDBG)

Federal Home Loan Bank

Community Reinvestment Act

Property Tax Exemption

Development Fee Waivers

Private Activity Bonds

Private Foundations

Funding Sources



THIS DOESN'T SEEM
TO BE MAKING IT LESS
EXPENSIVE...

TRY
USING
MORE
TAPE!

Development Budget	Total Cost	Cost/Unit	Cost/Sq Ft
ACQUISITION COSTS			
Land	\$175,000	3,500	3.56
Existing Structures	\$0	0	0.00
SUBTOTAL	\$175,000	3,500	3.56
SITE IMPROVEMENTS*			
On-Site Infrastructure	\$1,129,580	22,592	22.99
Off-Site Infrastructure	\$0	0	0.00
Demolition	\$0	0	0.00
SUBTOTAL	\$1,129,580	22,592	22.99
CONSTRUCTION*			
New Construction	\$7,701,325	154,027	156.77
Rehabilitation	\$0	0	0.00
General Requirements	\$512,513	10,250	10.43
Contractor Overhead & Profit	\$683,351	13,667	13.91
Contractor Construction Contingency	\$427,094	8,542	8.69
Owner Hard Cost Contingency	\$662,053	13,241	13.48
FF&E	\$0	0	0.00
Building Permit Fees	\$53,315	1,066	1.09
Other (City Use Tax and Common Area Furnishings)	\$196,338	3,927	4.00
SUBTOTAL	\$10,235,989	204,720	208.37
PROFESSIONAL FEES			
Architect Fees	\$280,000	5,600	5.70
Engineering Fees	\$75,000	1,500	1.53
Real Estate Attorney Fees	\$80,000	1,600	1.63
Surveys	\$9,775	196	0.20
Green Planning and Design Fees	\$20,000	400	0.41
Construction Management Fees	\$0	0	0.00
Construction Accounting	\$0	0	0.00
Other (Specify)	\$0	0	0.00
SUBTOTAL	\$464,775	9,296	9.46
CONSTRUCTION FINANCE			
Construction Insurance (H&L, Builder's Risk)	\$55,000	1,100	1.12
Construction Performance & Payment Bonds	\$130,000	2,600	2.65
Construction Loan Orig. Fee	\$99,000	1,980	2.02
Construction Interest	\$405,000	8,100	8.24
Construction Lender Legal Fees	\$45,000	900	0.92
Title and Recording	\$75,000	1,500	1.53
Taxes During Construction	\$5,000	100	0.10
Power/Telecom Fees	\$52,251	1,045	1.06
Insp. Fees (3rd party/Bank)	\$0	0	0.00
Other (Bridge Loan Fees)	\$5,000	100	0.10
SUBTOTAL	\$871,251	17,425	17.74

PERMANENT FINANCE AND SYNDICATION			
Loan Fees & Expenses	\$82,000	1,640	1.67
Lender Legal Fees	\$40,000	800	0.81
Title and Recording	\$0	0	0.00
Bond Cost of Issuance	\$0	0	0.00
Organization Costs	\$0	0	0.00
Tax Opinion	\$0	0	0.00
Syndication Legal Fees	\$0	0	0.00
Other (CHFA Const Monitoring and Application)	\$9,500	190	0.19
SUBTOTAL	\$131,500	2,630	2.68
SOFT COSTS			
Tap Fees (Water/Sewer)	\$104,667	2,093	2.13
Impact Fees	\$0	0	0.00
Appraisals	\$21,125	423	0.43
Market Study	\$0	0	0.00
Environmental Studies (Phase 1, Phase 2, Lead, Asbestos, etc)	\$1,800	36	0.04
Other Studies (traffic, wetlands, etc.)	\$0	0	0.00
Geotechnical/Soils Testing	\$39,000	780	0.79
Material Testing	\$0	0	0.00
Capital Needs Assessment	\$0	0	0.00
Temporary Relocation	\$0	0	0.00
Permanent Relocation	\$0	0	0.00
Tax Credit Fees	\$139,500	2,790	2.84
Marketing	\$5,000	100	0.10
Cost Certification	\$18,000	360	0.37
Green Certification Fees (LEED Certification, etc.)	\$0	0	0.00
Soft Cost Contingency	\$45,000	900	0.92
Other (Const Accounting and Legal)	\$50,500	1,010	1.03
SUBTOTAL	\$424,592	8,452	8.64
DEVELOPER FEE / PROFIT			
Developer's Fee	\$1,650,000	33,000	33.59
PSH Developer Fee Boost (up to 5%, LIHTC only)	\$0	0	0.00
Third Party Development Management/Owner's Rep	\$0	0	0.00
Consultants	\$125,000	2,500	2.54
Other (Specify)	\$0	0	0.00
SUBTOTAL (I.e. - maximum developer fee)	\$1,775,000	35,500	36.13
RESERVES			
Operating Reserve	\$180,000	3,600	3.66
Debt Service Reserve	\$0	0	0.00
Lease-up Reserve	\$25,000	500	0.51
Replacement Reserve	\$0	0	0.00
Other (Resident Transportation)	\$3,000	60	0.06
SUBTOTAL	\$208,000	4,160	4.23
TOTAL DEVELOPMENT EXPENSES	\$15,415,687	\$308,314	\$313.81

Development Costs/“Uses”

	per unit	per SF
Hard Costs	\$227,311	\$231.36
Soft Costs	\$77,502	\$78.88
Land Costs	\$3,500	\$3.56

*costs included in hard cost evaluation.

Income & Expenses

STABILIZED FIRST YEAR INCOME				EXPENSES			
Type of Unit (Bd/Bath)	Income Level (% AMI)	# of units	Unit Size (Sq. Ft.)	Monthly Rent	Total Annual Rent	Administrative Expenses	
1 Bed 1 Bath	30%	4	731	\$357	\$17,138	Management Fee	23,147
2 Bed 1 Bath	30%	1	827	\$428	\$5,136	Salaries	41,500
1 Bed 1 Bath	40%	2	731	\$495	\$11,880	Benefits	0
2 Bed 1 Bath	40%	1	827	\$694	\$7,128	Legal	6,000
1 Bed 1 Bath	50%	17	731	\$633	\$129,132	Accounting	0
2 Bed 1 Bath	50%	2	827	\$759	\$18,216	Advertising	2,500
1 Bed 1 Bath	60%	15	731	\$771	\$138,780	Office Supplies	1,200
2 Bed 1 Bath	60%	2	827	\$925	\$22,200	Telephone	1,200
1 Bed 1 Bath	70%	2	731	\$771	\$18,504	Audit	0
2 Bed 1 Bath	70%	1	827	\$925	\$11,100	Leased Equipment	0
1 Bed 1 Bath	80%	2	731	\$771	\$18,504	Other (specify)	0
2 Bed 1 Bath	80%	1	827	\$925	\$11,100	Other (specify)	0
0	0%	0	0	\$0		Total Administrative	75,547
0	0%	0	0	\$0		Operating Expenses	
0	0%	0	0	\$0		Fuel (Heat/Water)	61,000
Total units: 50				Total Rent Income		Electricity	0
Total rental sq ft: 37,318						Water	0
Ave. Affordability (% AMI): 53.8%				Parking Income		Sewer	0
Units at or Below 80% AMI: 44				Laundry Income		Gas	0
				Vending, Application, Late Fees		Trash Removal	5,300
				Total Income		Security	0
Vac. Rate 7.00%				Less Vacancy		Cable	0
				Effective Gross Income		Resident Transportation	0
						Wifi	0
				DEBT SERVICE			
				1st Mortgage		Other (specify)	0
				2nd Mortgage		Total Operating	66,300
				3rd Mortgage		Maintenance Expenses	
				TOTAL DEBT SERVICE		Maintenance Supplies	10,500
Break Even Point 92.79%				Poss D/S @ 1.15 DCR 114,973		Maint. Salaries	
				Project Debt Coverage Ratio		Repairs	
						Maint. Contracts	37,500
Utilities							
Tenant Paid Utilities:				Owner Paid Utilities:			
Gas Electricity Cable				Water Sewer Trash			
Utility Allowances:							
0 Bed*		60				Other (specify)	0
1 Bed*		68				Other (specify)	0
2 Bed*		82				Total Maintenance	61,000
3 Bed*		96				Other Expenses	
4 Bed*		0				Real Estate Taxes	6,000
						Payment in Lieu of Taxes	0
						Property Insurance	32,213
						Replacement Reserve	12,500
						Other (specify)	
						Total Other	50,713
						TOTAL ANNUAL EXPENSES	253,560
						NET OPERATING INCOME	132,219
						P.U.P.A. Expenses*	5,071
						*P.U.P.A. = Per Unit Per Annum Expenses	

5.66%

1.00 # FTE

PUPM Utilities:
101.666666

unit avg.= 250

(Annual Ex. w/o. 241,060

Exp Ratio

65.7%

Financing/ “Sources”

SOURCES OF FUNDS				
HARD DEBT	FIRST MORTGAGE			
		Lender	CHFA 1st Mortgage	
		Type of Loan	Conventional	
		Principal	1,900,000	
		Interest Rate	4.25%	
		Term (#Years)	35	
		Amortization	35	
		Annual Payment	-104,400	1.27 DCR
		SECOND MORTGAGE		
		Lender	0	
	Type of Loan	Select		
	Principal	0		
	Interest Rate	0.00%		
	Term (#Years)	0		
	Amortization	0		
	Annual Payment	0	1.27 DCR	
TC EQUITY	TAX CREDIT EQUITY			
		9% LIHTC Proceeds	11,743,826	\$0.87
		4% LIHTC Proceeds	0	\$0.00
		State AHTC Proceeds	0	\$0.00
		Historic Tax Credits (Fed. or State)	0	\$0.00
		Other Tax Credits (describe)	0	\$0.00
GRANTS / SOFT DEBT	GOVERNMENT GRANTS AND SOFT DEBT			
	DOH Grant/Loan	Select Grant or Loan	1,300,000	29,545 per unit
		Select Grant or Loan	0	
		Select Grant or Loan	0	
		OTHER GRANTS (NON-GOVERNMENTAL)		
		Other Grants (describe)	0	
		Other Grants (describe)	0	
		Other Grants (describe)	0	
OWNER	OWNER EQUITY			
		Deferred Dev. Fee	471,861	26.58%
		Other Owner Equity (describe)	0	
		Other Owner Equity (describe)	0	
TOTAL SOURCES			\$15,415,687.00	
GAP (SURPLUS)			\$0.00	
Break Even Point		0.93	Poss Debt Service @ 1.15 DCR	114,973
Debt Coverage Ratio		1.266	Max Loan amount @ 1.15 DCR	2,074,949.74

17 Year Proforma

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Rent Income (increasing by 2%)	2%	\$408,816	\$416,992	\$425,332	\$433,839	\$442,516	\$451,366	\$460,393	\$469,601	\$478,993	\$488,573
Other Income (increasing by 2%)	2%	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892	\$7,030	\$7,171
Less Vacancy	7%	(\$29,037)	(\$29,618)	(\$30,210)	(\$30,814)	(\$31,431)	(\$32,059)	(\$32,701)	(\$33,355)	(\$34,022)	(\$34,702)
Eff. Gross Income		\$385,779	\$393,494	\$401,364	\$409,392	\$417,579	\$425,931	\$434,450	\$443,139	\$452,001	\$461,041
Total Annual Expenses (increasing by 3.00%)	3%	(\$253,560)	(\$261,167)	(\$269,002)	(\$277,072)	(\$285,384)	(\$293,946)	(\$302,764)	(\$311,847)	(\$321,202)	(\$330,838)
NET OPERATING INCOME		\$132,219	\$132,328	\$132,363	\$132,320	\$132,195	\$131,986	\$131,686	\$131,292	\$130,799	\$130,203
Total Debt Service		(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)
Bridge Loan Debt Service (Specify, if applicable)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash flow Available		\$27,819	\$27,928	\$27,963	\$27,920	\$27,796	\$27,586	\$27,286	\$26,892	\$26,399	\$25,803
Debt Coverage Ratio		1.27	1.27	1.27	1.27	1.27	1.26	1.26	1.26	1.25	1.25
Projected Payments from Cash flow											
Asset Management Fees (escalating at 3%)	3%	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,914
Deferred Developer Fees		\$24,819	\$24,838	\$24,780	\$24,642	\$24,419	\$24,108	\$23,704	\$23,202	\$22,599	\$21,889
Payment from DOH Cash Flow Loan		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment from CF #2		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment from CF #3		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Available Cash after Payments		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

		YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	Deferred Developer Fee Totals		
Rent Income (increasing by 2.00%)	2%	\$498,344	\$508,311	\$518,478	\$528,847	\$539,424	\$550,213	\$561,217	Yrs. 1-10	Yrs. 11-15	Total
Other Income (increasing by 2.00%)	2%	\$7,314	\$7,460	\$7,609	\$7,762	\$7,917	\$8,075	\$8,237	\$239,000	\$96,534	\$335,534
Less Vacancy	7%	(\$35,396)	(\$36,104)	(\$36,826)	(\$37,563)	(\$38,314)	(\$39,080)	(\$39,862)			
Eff. Gross Income		\$470,262	\$479,668	\$489,261	\$499,046	\$509,027	\$519,208	\$529,592	DOH Cash Flow Loan		
Total Annual Expenses - inc. by	3%	(\$340,763)	(\$350,986)	(\$361,516)	(\$372,361)	(\$383,532)	(\$395,038)	(\$406,889)	Yrs. 1-10	Yrs. 11-17	Total
NET OPERATING INCOME		\$129,499	\$128,681	\$127,745	\$126,685	\$125,495	\$124,169	\$122,702	\$0	\$15,122	\$15,122
Total Debt Service		(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	(\$104,400)	\$1,300,000		
Bridge Loan Debt Service (Specify, if applicable)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	100.00%		
Cash flow Available		\$25,099	\$24,281	\$23,345	\$22,285	\$21,095	\$19,770	\$18,303	50.00%		
Debt Coverage Ratio		1.24	1.23	1.22	1.21	1.20	1.19	1.18	Selected		
Projected Payments from Cash flow											
Asset Management Fees (escalating at 3%)		\$3,914	\$3,914	\$3,914	\$3,914	\$3,914	\$3,914	\$3,914	Cash Flow Loan #2		
Deferred Developer Fees		\$21,185	\$20,367	\$19,431	\$18,371	\$17,181	\$0	\$0	Yrs. 1-10	Yrs. 11-17	Total
Payment from DOH Cash Flow Loan		\$0	\$0	\$0	\$0	\$0	\$7,928	\$7,194	\$0	\$0	\$0
Payment from CF #2		\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%		
Payment from CF #3		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Available Cash after Payments		\$0	\$0	\$0	\$0	\$0	\$7,928	\$7,194	25.00%		
Selected											



GRAND JUNCTION - 2814 PATTERSON
Grand Junction Housing Authority



KEYSTONE - WINTERGREEN NORTH
Gorman & Company



BOULDER - HOLIDAY NEIGHBORHOOD
Boulder Housing Partners, Master Developer

Example Subsidized Properties



KIT CARSON NEW CONSTRUCTION
Kit Carson Rural Development

Thank You

Pamm Gibson

Colorado Division of Housing
Housing Development Specialist

pamela.gibson@state.co.us

720-682-5243

Resources

DOH

DOH Website: <https://cdola.colorado.gov/housing>

DOH Funding Availability: <https://cdola.colorado.gov/open-request-applications-rfa>

DOH Funding Application: <https://cdola.colorado.gov/office-of-housing-finance-sustainability/funding-application>

DOH Newsletter Link: <https://colorado.us13.list-manage.com/subscribe?u=1d97570d5b1d9d9b89bf4591b&id=6440f8d693>

DOH Publications: <https://cdola.colorado.gov/publications-reporting>

Other

HUD USER Income Limits: <https://www.huduser.gov/portal/datasets/il.html>

Colorado Housing and Finance Authority (CHFA):
<https://www.chfainfo.com>

CHFA Housing Tax Credits: <https://www.chfainfo.com/rental-housing/housing-credit>

City of Boulder Inclusionary Housing Ordinance:
<https://bouldercolorado.gov/services/inclusionary-housing>

